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# Timing of retirement: Including a delay discounting perspective in retirement models <sup>☆</sup>

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## Abstract

This research examined the influence of delay and anticipated health and enjoyment on the amount of retirement savings sacrificed for early retirement. In addition to testing and supporting predictions that willingness to sacrifice retirement savings would be less with shorter delays to retirement, greater anticipated health, and greater anticipated enjoyment, an individual difference delay discounting measure derived from experimental studies was used to extend the [Beehr, Glazer, Nielson, and Farmer's \(2000\)](#) model of retirement age. We predicted and found that oldest preferred retirement age related to personal characteristics, current work factors, future retirement factors, and individual differences in delay discounting, with greater delay discounting being associated with a younger preferred retirement age. Findings suggest that delay discounting is an important consideration in retirement planning and also highlight the significance that retirement expectations and being tired of work have in affecting one's preferred retirement age.

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*Keywords:* Delay discounting; Retirement; Health; Enjoyment

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## 1. Introduction

The timing of older workers' retirement is a matter of increasing concern for individuals and governments. For the individual, career-related retirement decisions involve complex evaluation of work, personal, and financial issues, with possibly greater consequences, at least in terms of health and finance, than other career-related decisions made earlier in life. Governments of many developed countries with aging populations realize that they face a growing welfare burden from retirees who lack sufficient funds for lives that are likely to last longer with medical advances (Bingham, 2003). Concern for the combined effect of an aging population together with an apparent increasing preference for early retirement (Feldman, 1994) stimulated considerable research during the 1990s (Adams, 1999; Adams & Beehr, 1998; Hanisch, 1994; Schultz, Morton, & Weckerle, 1998; Taylor & Shore, 1995). The current study added delay discounting to retirement models derived from this earlier research in an effort to improve the prediction of preferred retirement age. Predicting an employee's exit from the workforce is important because the removal of a compulsory retirement age has introduced considerable uncertainty about staff profiles for human resource planning, and a likely welfare burden for governments, and has also required individuals to take a more active and strategic role in their own career planning (Hesketh & Considine, 1998).

Ekerdt, Kosloski, and DeViney (2000) conceptualize retirement planning as an extended decision-making process. Individuals increasingly attend to retirement issues as the anticipated date approaches. As shown by a range of studies, choosing a retirement date involves personal, psychological, organizational, job, and environment factors (Adams, 1999; Beehr, 1986; Beehr et al., 2000; Feldman, 1994; Taylor & Shore, 1995). However, none of these studies has addressed the concept of time or delay discounting, a phenomenon known to affect a range of career-related decisions (Hesketh, Watson-Brown, & Whitely, 1998).

The concept of time or delay discounting is well established (Kirby, 1997; Rachlin, Brown, & Cross, 2000). Much of this research examines how people choose between a smaller reward offered *now* and a larger reward to be received *later*. The evidence suggests that time (i.e., delay) can result in a subjective devaluation of the later reward causing people to prefer a smaller, early reward because they perceive the later reward as being worth less than its actual value and thus not worth the wait.

In relation to retirement decisions, a key issue people face is the choice between early retirement with less money and delayed retirement with more money, but this decision is likely to be tempered by anticipated health and enjoyment considerations also potentially subject to the discounting phenomenon. We examine the extent to which financial, delay, health, and enjoyment factors affect retirement decision-making, either independently or interactively. These factors are examined within a delay discounting experimental paradigm. Subsequently, we investigate whether the inclusion of individual differences in delay discounting increases the predictive capacity of traditional retirement models such as that of Beehr (1986).

In the context of retirement decisions, delayed retirement offers a larger monetary reward (i.e., more savings or superannuation money). Greater discounting of that

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